

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Colon Township	County St. Joseph
Fiscal Year End March 31, 2007	Opinion Date January 21, 2008	Date Audit Report Submitted to State January 21, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

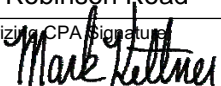
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517.787.6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49204
Authorizing CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673

COLON TOWNSHIP

St. Joseph County, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
March 31, 2007**



REHMANN ROBSON

Certified Public Accountants

COLON TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

January 21, 2008

The Supervisor and Board of Trustees
Colon Township
St. Joseph County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Colon Township, Michigan***, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Colon Township, Michigan, as of March 31, 2007, and the respective changes in financial position and the budgetary comparisons for the general and special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colon Township's basic financial statements. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Colon Township
Statement of Net Assets
March 31, 2007

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 736,781
Receivables, net	249,011
Capital assets not being depreciated	1,056,618
Capital assets being depreciated, net	<u>428,802</u>
Total assets	<u>2,471,212</u>
Liabilities	
Accounts payable and accrued expenses	28,917
Long-term liabilities:	
Due in one year	69,146
Due in more than one year	<u>999,159</u>
Total liabilities	<u>1,097,222</u>
Net assets	
Invested in capital assets	417,115
Restricted for:	
Public safety	91,962
Public works	36,553
Culture	148,342
Debt service	376,098
Capital projects	5,954
Endowments	42,515
Unrestricted	<u>255,451</u>
Total net assets	<u><u>\$ 1,373,990</u></u>

The accompanying notes are an integral part of these financial statements.

Colon Township
Statement of Activities
For the Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 192,779	\$ 13,501	\$ 148,258	\$ -	\$ (31,020)
Public safety	121,651	8,741	-	156,368	43,458
Public works	56,983	-	-	7,093	(49,890)
Parks and recreation	137,735	4,584	2,818	-	(130,333)
Community development	12,750	-	-	-	(12,750)
Interest expense	50,682	-	-	-	(50,682)
Other expense	-	-	17,068	-	17,068
Total governmental activities	<u>\$ 572,580</u>	<u>\$ 26,826</u>	<u>\$ 168,144</u>	<u>\$ 163,461</u>	<u>(214,149)</u>
Changes in net assets					
General revenues:					
Property taxes					274,222
Other revenue					39,383
Unrestricted investment earnings					<u>9,682</u>
Total general revenues					<u>323,287</u>
Change in net assets					109,138
Net assets, beginning of year					<u>1,264,852</u>
Net assets, end of year					<u>\$ 1,373,990</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

Colon Township
Balance Sheet
Governmental Funds
March 31, 2007

	General	Special Revenue		Debt Service	
		Fire and Rescue	Library	Fire Hall	Library
Assets					
Cash and cash equivalents	\$ 257,219	\$ 40,691	\$ 191,358	\$ 131,366	\$ 38,434
Receivables:					
Accounts	7,035	-	-	79	-
Special assessments	9,343	12,969	7,111	3,965	6,312
Due from other governments	24,326	-	-	176,649	-
Due from other funds	12,911	47,639	6,391	3,662	54,077
Total assets	\$ 310,834	\$ 101,299	\$ 204,860	\$ 315,721	\$ 98,823
Liabilities					
Accounts payable	\$ 3,375	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	6,558	-	2,806	-	-
Due to other funds	45,450	9,337	53,712	23,570	-
Deferred revenue	7,035	-	-	176,728	-
Total liabilities	62,418	9,337	56,518	200,298	-
Fund balances					
Unreserved, undesignated, reported in non-major:					
Special revenue fund	-	-	-	-	-
Permanent fund	-	-	-	-	-
Unreserved, undesignated	248,416	91,962	148,342	115,423	98,823
Total fund balances	248,416	91,962	148,342	115,423	98,823
Total liabilities and fund balances	\$ 310,834	\$ 101,299	\$ 204,860	\$ 315,721	\$ 98,823

The accompanying notes are an integral part of these financial statements.

Capital Projects		Nonmajor	
Library		Funds	Totals
\$ 6,402	\$	71,311	\$ 736,781
-		-	7,114
-		1,222	40,922
-		-	200,975
-		9,904	134,584
<hr/>			
\$ 6,402	\$	82,437	\$ 1,120,376

\$ 448	\$	854	\$ 4,677
-		-	9,364
-		2,515	134,584
-		-	183,763
<hr/>			
448		3,369	332,388

-		36,553	36,553
-		42,515	42,515
5,954		-	708,920
<hr/>			
5,954		79,068	787,988
<hr/>			
\$ 6,402	\$	82,437	\$ 1,120,376

Colon Township
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
March 31, 2007

Fund balances - total governmental funds	\$ 787,988
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets not being depreciated	1,056,618
Add: capital assets being depreciated	1,018,253
Deduct: accumulated depreciation	(589,451)

Long-term receivables are not current financial resources and therefore are deferred in the funds.

Add: deferred long-term receivables	183,763
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable	(1,068,305)
Deduct: accrued interest payable	<u>(14,876)</u>

Net assets of governmental activities	<u><u>\$ 1,373,990</u></u>
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The accompanying notes are an integral part of these financial statements.

Colon Township
Statement of Revenue, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2007

	General	Special Revenue		Debt Service	
		Fire and Rescue	Library	Fire Hall	Library
Revenue					
Property taxes	\$ 132,752	\$ -	\$ 74,844	\$ -	\$ 66,626
State revenue	148,258	-	2,818	-	-
Special assessments	-	39,669	-	116,699	-
Fines and forfeitures	1,325	-	14,778	-	-
Charges for services	13,501	-	1,539	-	-
Interest	8,154	621	2,506	2,413	193
Other	16,245	-	68	-	-
Total revenue	320,235	40,290	96,553	119,112	66,819
Expenditures					
Current:					
Legislative	30,659	-	-	-	-
General government	159,544	-	-	-	-
Public safety	-	115,518	-	-	-
Public works	51,543	-	-	-	-
Community development	12,750	-	-	-	-
Culture	3,727	-	96,551	-	-
Debt service:					
Principal	3,875	-	-	33,347	25,000
Interest and fiscal charges	362	-	-	14,294	36,391
Capital outlay	-	-	-	-	-
Total expenditures	262,460	115,518	96,551	47,641	61,391
Revenue over (under) expenditures	57,775	(75,228)	2	71,471	5,428
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	(70,966)	-	-
Total other financing sources (uses)	-	-	(70,966)	-	-
Net change in fund balances	57,775	(75,228)	(70,964)	71,471	5,428
Fund balances, beginning of year	190,641	167,190	219,306	43,952	93,395
Fund balances, end of year	\$ 248,416	\$ 91,962	\$ 148,342	\$ 115,423	\$ 98,823

The accompanying notes are an integral part of these financial statements.

Capital Projects		Nonmajor Funds		Totals	
Library					
\$	-	\$	-	\$	274,222
	-		-		151,076
	-		7,093		163,461
	-		-		16,103
	-		-		15,040
	346		1,528		15,761
	17,000		-		33,313
	17,346		8,621		668,976
	-		-		30,659
	-		477		160,021
	-		7,540		123,058
	-		-		51,543
	-		-		12,750
	-		-		100,278
	-		-		62,222
	-		-		51,047
	209,790		-		209,790
	209,790		8,017		801,368
	(192,444)		604		(132,392)
	70,966		-		70,966
	-		-		(70,966)
	70,966		-		-
	(121,478)		604		(132,392)
	127,432		78,464		920,380
\$	5,954	\$	79,068	\$	787,988

Colon Township
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2007

Net change in fund balances - total governmental funds	\$ (132,392)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	208,059
Deduct: depreciation expense	(41,858)

Governmental funds recognize revenue as it becomes measurable and available. Certain amounts collected in the current year were earned in prior periods, but did not become available until the current period, when they were recognized in the funds.

Add: change in long-term receivable from Village	5,707
Add: changes in receivables deferred for availability	7,035

Long-term debt proceeds provide current financial resources to governmental funds in the period issued, but issuing long-term debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	62,222
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest payable on bonds	365
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Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 109,138</div>
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The accompanying notes are an integral part of these financial statements.

Colon Township
Statement of Revenue, Expenditures
and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended March 31, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenue				
Property taxes	\$ 88,828	\$ 156,900	\$ 132,752	\$ (24,148)
State revenue	152,000	149,700	148,258	(1,442)
Fines and forfeitures	2,682	1,300	1,325	25
Charges for services	20,360	12,901	13,501	600
Interest	3,100	5,400	8,154	2,754
Other	2,190	16,254	16,245	(9)
Total revenue	269,160	342,455	320,235	(22,220)
Expenditures				
Legislative - Township Board	30,000	34,395	30,659	(3,736)
General government:				
Supervisor	10,550	11,974	10,442	(1,532)
Clerk	35,323	33,996	33,206	(790)
Elections	1,000	3,418	3,415	(3)
Legal	28,165	27,766	27,804	38
Board of review	1,100	1,082	1,007	(75)
Treasurer	25,133	20,352	17,819	(2,533)
Buildings and grounds	9,000	9,087	8,271	(816)
Insurance and bonds	30,000	9,850	13,413	3,563
Cemetery	44,300	45,139	44,167	(972)
Total general government	184,571	162,664	159,544	(3,120)
Public works:				
Roads	6,000	5,862	5,861	(1)
Drains	30,000	45,967	44,938	(1,029)
Sewer	750	744	744	-
Total public works	36,750	52,573	51,543	(1,030)
Community development - zoning	10,350	12,811	12,750	(61)
Culture - parks	3,865	3,730	3,727	(3)

continued...

Colon Township
Statement of Revenue, Expenditures
and Changes in Fund Balances - Budget and Actual (concluded)
General Fund
For the Year Ended March 31, 2007

	<u>Original/ Final Budget</u>	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (concluded)				
Debt service:				
Principal	\$ 3,993	\$ 3,993	\$ 3,875	\$ (118)
Interest and fiscal charges	362	362	362	-
Total debt service	<u>4,355</u>	<u>4,355</u>	<u>4,237</u>	<u>(118)</u>
 Total expenditures	 <u>269,891</u>	 <u>270,528</u>	 <u>262,460</u>	 <u>(8,068)</u>
 Net change in fund balances	 (731)	 71,927	 57,775	 (14,152)
 Fund balances, beginning of year	 <u>190,641</u>	 <u>190,641</u>	 <u>190,641</u>	 <u>-</u>
 Fund balances, end of year	 <u><u>\$ 189,910</u></u>	 <u><u>\$ 262,568</u></u>	 <u><u>\$ 248,416</u></u>	 <u><u>\$ (14,152)</u></u>

The accompanying notes are an integral part of these financial statements.

Colon Township
Statement of Revenue, Expenditures
and Changes in Fund Balances - Budget and Actual
Fire and Rescue Special Revenue Fund
For the Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue				
Special assessments	\$ 98,450	\$ 138,920	\$ 39,669	\$ (99,251)
Charges for services	<u>190</u>	<u>173</u>	<u>621</u>	<u>448</u>
Total revenue	98,640	139,093	40,290	(98,803)
Expenditures				
Public safety	<u>112,552</u>	<u>115,520</u>	<u>115,518</u>	<u>(2)</u>
Net change in fund balances	(13,912)	23,573	(75,228)	(98,801)
Fund balances, beginning of year	<u>167,190</u>	<u>167,190</u>	<u>167,190</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 153,278</u></u>	<u><u>\$ 190,763</u></u>	<u><u>\$ 91,962</u></u>	<u><u>\$ (98,801)</u></u>

The accompanying notes are an integral part of these financial statements.

Colon Township
Statement of Revenue, Expenditures
and Changes in Fund Balances - Budget and Actual
Library Special Revenue Fund
For the Year Ended March 31, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenue				
Special assessments	\$ 70,178	\$ 70,178	\$ 74,844	\$ 4,666
State revenue	3,000	3,000	2,818	(182)
Fines and forfeitures	15,300	15,300	14,778	(522)
Charges for services	1,500	1,500	1,539	39
Interest	1,200	1,200	2,506	1,306
Other	400	400	68	(332)
Total revenue	91,578	91,578	96,553	4,975
Expenditures				
Culture	92,529	97,879	96,551	(1,328)
Revenue over (under) expenditures	(951)	(6,301)	2	6,303
Other financing (uses)				
Transfers (out)	(90,400)	(71,400)	(70,966)	434
Net change in fund balances	(91,351)	(77,701)	(70,964)	6,737
Fund balances, beginning of year	219,306	219,306	219,306	-
Fund balances, end of year	\$ 127,955	\$ 141,605	\$ 148,342	\$ 6,737

The accompanying notes are an integral part of these financial statements.

Colon Township
Statement of Fiduciary Assets and Liabilities
March 31, 2007

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u><u>\$ 3,907</u></u>
Liabilities	
Due to other governmental units	<u><u>\$ 3,907</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

COLON TOWNSHIP, MICHIGAN

Notes To Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Colon Township (the “government” or “Township”) is a municipal corporation governed by five-member board, which includes an elected supervisor, clerk, treasurer, and two trustees. The Township has adopted the position of the Governmental Accounting Standards Board (GASB) Statement #14 regarding the definition of reporting entity and has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, if any, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the respective fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

COLON TOWNSHIP, MICHIGAN

Notes To Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *fire and rescue fund* is used to account for a special assessment millage levy to provide the required funds for appropriation to the Colon Community Joint Fire and Rescue.

The *library fund* is used to account for specific revenue sources derived from state grants, general fund appropriations, a library tax levy and charges for services, which are to be expended for public library purposes as dictated by legal requirements.

The *fire hall debt service fund* is used to records revenues which are restricted for the payment of principal and interest on the fire hall debt.

The *library debt service fund* is used to records revenues which are restricted for the payment of principal and interest on the library debt.

The *library capital project fund* is used to account for library facility renovations and additions.

COLON TOWNSHIP, MICHIGAN

Notes To Financial Statements

Additionally, the government reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Permanent funds. The funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

Agency funds. These funds account for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, if any, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and net assets/equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand and demand deposits.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

COLON TOWNSHIP, MICHIGAN

Notes To Financial Statements

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

3. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Furniture and equipment	5-20

4. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

COLON TOWNSHIP, MICHIGAN

Notes To Financial Statements

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The government's final budget must be prepared and adopted prior to April 1st of each year.

The appropriated budget is prepared by fund, activity, and department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level. Certain supplemental budgetary appropriations were made during the year.

The government does not utilize encumbrance accounting.

B. Excess of expenditures over appropriations

P. A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2007, expenditures in the legal and insurance and bonds departments of the general fund exceeded the approved budget by \$38 and \$3,563, respectively

COLON TOWNSHIP, MICHIGAN

Notes To Financial Statements

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

Statement of Net Assets:

Cash and cash equivalents	\$ 736,781
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Statement of Fiduciary Net Assets:

Agency Funds:

Cash and cash equivalents	<u>3,907</u>
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\$ 740,688

Deposits	\$ 740,341
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Cash on hand	<u>347</u>
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\$ 740,688

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$595,559 of the Township's bank balance of \$795,559 was exposed to custodial credit risk because it was uninsured and uncollateralized.

B. Receivables

Receivables as of year end are as follows:

Accounts receivable	\$ 7,114
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Special assessments	40,922
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Due from other governments	<u>200,975</u>
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\$ 249,011

Amount not expected to be collected within one year	<u>\$ 176,728</u>
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COLON TOWNSHIP, MICHIGAN

Notes To Financial Statements

C. Capital assets

Capital assets activity for the year ended March 31, 2007, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 135,150	\$ -	\$ -	\$ 135,150
Construction in progress	747,993	173,475	-	921,468
Total capital assets not being depreciated	883,143	173,475	-	1,056,618
Capital assets, being depreciated:				
Buildings and improvements	691,454	-	-	691,454
Furniture and equipment	295,515	42,284	(11,000)	326,799
Total capital assets being depreciated	986,969	42,284	(11,000)	1,018,253
Less accumulated depreciation for:				
Building and improvements	(382,901)	(8,208)	-	(391,109)
Furniture and equipment	(167,992)	(33,650)	3,300	(198,342)
Total accumulated depreciation	(550,893)	(41,858)	3,300	(589,451)
Total capital assets being depreciated, net	436,076	426	(7,700)	428,802
Capital assets, net	\$ 1,319,219	\$ 173,901	\$ (7,700)	\$ 1,485,420

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 2,099
Public safety	6,133
Public works	1,100
Culture	<u>32,526</u>
Total depreciation expense - governmental activities	<u>\$ 41,858</u>

COLON TOWNSHIP, MICHIGAN

Notes To Financial Statements

D. Payables

Accounts payable and accrued liabilities as of year end are as follows:

Accounts payable	\$ 4,677
Accrued liabilities	9,364
Accrued interest payable	<u>14,876</u>
	<u><u>\$ 28,917</u></u>

E. Interfund receivables, payables and transfers

At March 31, 2007, interfund receivables and payables consisted of the following:

	<u>Due from</u>	<u>Due to</u>
General fund	\$ 12,911	\$ 45,450
Fire and rescue	47,639	9,337
Library	6,391	53,712
Fire hall debt service	3,662	23,570
Library debt service	54,077	-
Non-major fund	<u>9,904</u>	<u>2,515</u>
	<u><u>\$ 134,584</u></u>	<u><u>\$ 134,584</u></u>

The Township often reports interfund balances between many of its funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers consisted of a transfer of \$70,966 from the library special revenue fund to the library capital projects fund.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

COLON TOWNSHIP, MICHIGAN

Notes To Financial Statements

F. Long-term debt

General Obligation Bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in prior years for the items listed below was \$900,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2003 general obligation unlimited tax bonds	3.0 - 4.8%	<u><u>\$ 840,000</u></u>

Annual debt service requirements to maturity for general obligation bonds is as follows:

<u>Fiscal Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 30,000	\$ 35,178	\$ 65,178
2009	35,000	34,040	69,040
2010	35,000	32,885	67,885
2011	35,000	31,765	66,765
2012	40,000	30,468	70,468
2013-2017	230,000	126,670	356,670
2018-2022	295,000	69,291	364,291
2023-2024	140,000	6,720	146,720
	<u><u>\$ 840,000</u></u>	<u><u>\$ 367,017</u></u>	<u><u>\$ 1,207,017</u></u>

COLON TOWNSHIP, MICHIGAN

Notes To Financial Statements

Loans Payable. In 2001, the Township entered into a municipal bank loan payable in annual installments including interest at 5.55% due on March 15 each year. This amortization schedule is updated to reflect the Township's advance payments of principal on the loan. Final maturity on the loan has changed from March 15, 2015 to March 15, 2013. The Village of Colon is responsible for 40% of the total debt service and is required to contribute \$20,000 per year to the payment of debt and has agreed to extend payments beyond the final debt payment to reimburse the Township for additional amounts paid by the Township.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2001 municipal building bank loan	5.5%	<u>\$ 224,430</u>

Annual debt service requirements to maturity for installment obligations are as follows:

<u>Fiscal Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 35,271	\$ 12,344	\$ 47,615
2009	37,211	10,404	47,615
2010	39,257	8,357	47,614
2011	41,417	6,198	47,615
2012	43,694	3,920	47,614
2013	27,580	1,517	29,097
	<u>\$ 224,430</u>	<u>\$ 42,740</u>	<u>\$ 267,170</u>

Special Assessments Payable. 1998 Lamberson Dam Special Assessment payable in annual installments including interest at 4.124% due to St. Joseph County Drain Commission included with each years tax assessment levy which is due February 14 of each year. The original amount of the assessment was \$42,817.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
1998 special assessment	4.124%	<u>\$ 3,875</u>

COLON TOWNSHIP, MICHIGAN

Notes To Financial Statements

Changes in Long-Term Debt. Long-term liability activity for the year ended March 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 865,000	\$ -	\$ (25,000)	\$ 840,000	\$ 30,000
Loans payable	257,777	-	(33,347)	224,430	35,271
Special assessments payable	7,750	-	(3,875)	3,875	3,875
	<u>\$ 1,130,527</u>	<u>\$ -</u>	<u>\$ (62,222)</u>	<u>\$ 1,068,305</u>	<u>\$ 69,146</u>

IV. OTHER INFORMATION

A. Property taxes

The government's property taxes are levied each December 1 on the taxable value of property located in the Township as of the preceding December 31, the lien date. Taxable values are established annually by the government and subject to acceptance by the County. Real and personal property in the Township for the 2006 levy was assessed at \$83,143,736. The government's general operating tax rate for fiscal year 2006/2007 was .9013 mills with .9013 additional mills levied for library operations and .9000 additional mills levied for the library debt.

B. Joint venture

Colon Township and the Village of Colon have entered into an agreement that created the Colon Community Joint Fire and Rescue Authority. The Authority's board is composed of five members, of which the Township and the Village each appoint two members. Each entity is financially responsible to make annual contributions based on a "weighted formula". For the year ended March 31, 2007, the Township contributed \$106,181 to the Authority.

* * * * *

COMBINING FINANCIAL STATEMENTS

Colon Township
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2007

	Special Revenue Special Assessments	Permanent Cemetery Endowment	Totals
Assets			
Cash and cash equivalents	\$ 28,796	\$ 42,515	\$ 71,311
Special assessments receivable	1,222	-	1,222
Due from other funds	9,904	-	9,904
Total assets	\$ 39,922	\$ 42,515	\$ 82,437
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 854	\$ -	\$ 854
Due to other funds	2,515	-	2,515
Total liabilities	3,369	-	3,369
Fund balances			
Unreserved, undesignated	36,553	42,515	79,068
Total liabilities and fund balances	\$ 39,922	\$ 42,515	\$ 82,437

Colon Township
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended March 31, 2007

	Special Revenue	Permanent	
	Special	Cemetery	
	Assessments	Endowment	Totals
Revenue			
Special assessments	\$ 7,093	\$ -	\$ 7,093
Interest and other	559	969	1,528
Total revenue	7,652	969	8,621
Expenditures			
General government	-	477	477
Public works	7,540	-	7,540
Total expenditures	7,540	477	8,017
Net change in fund balances	112	492	604
Fund balance, beginning of year	36,441	42,023	78,464
Fund balance, end of year	\$ 36,553	\$ 42,515	\$ 79,068



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



January 21, 2008

To the Board of
Colon Township
Colon, Michigan

We have audited the financial statements of Colon Township for the year ended March 31, 2007, and have issued our report thereon dated January 21, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated November 5, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Colon Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Colon Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Colon Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Colon Township's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed various adjustments, all of which were recorded by the Township, which in our judgment indicate matters that could have a significant effect on Colon Township's financial reporting process. As a result, we included a material weakness in the attached memorandum.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Colon Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum is intended for the use of the Township Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Lehmann Johnson", is written in black ink.

Colon Township
Comments and Recommendations
For the Year Ended March 31, 2007

In planning and performing our audit of the financial statements of Colon Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that certain deficiencies, as described below, constitute material weaknesses.

Material Weaknesses

2007-1 – Preparation of Financial Statements in Accordance with GAAP

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition: As is the case with many smaller and medium-sized entities, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

Colon Township

Comments and Recommendations

For the Year Ended March 31, 2007

Cause: This condition was caused by management's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible

Officials: The Township has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

2007-2 – Adjustment of Year-end Trial Balances

Criteria: The Township is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

Condition: Certain account balances and year end adjustments were initially not properly calculated. Accordingly, various audit adjustments were required to properly state the Township's financial statements.

Cause: The condition was caused by the Township relying, in part, on its external auditors to assist with proposing certain year end accruals and other adjustments.

Effect: As a result of this condition, the Township is not able to produce accurate financial information that would allow those charged with governance to make fully informed decisions.

View of Responsible

Officials: Management is aware of the new requirement for auditors to report on adjustments proposed during the audit process, and will endeavor to reduce or eliminate the need for such audit adjustments in future periods.

Colon Township

Comments and Recommendations

For the Year Ended March 31, 2007

2007-3 – Bank Reconciliations (Repeat Comment)

- Criteria:** Properly completed bank reconciliations, prepared on a timely basis, are a fundamental element of internal control. State guidelines prescribe that bank reconciliations should be completed within six weeks from the end of a particular month.
- Condition:** During the year, the Township had problems (through lack of experience) in completing its bank reconciliations for its primary operating accounts.
- Cause:** As in prior years, Township personnel did not prioritize the reconciliation of bank accounts and fell behind several months in completing such reconciliations.
- Effect:** Cash errors, unintentional or otherwise, cannot be detected on a timely basis if bank reconciliations are not regularly completed on a timely basis. This also caused the date of the audit to be rescheduled and the late filing of the audit report

View of Responsible

- Officials:** Management is aware of the new requirement for auditors to report on adjustments proposed during the audit process, and will endeavor to reduce or eliminate the need for such audit adjustments in future periods.

Other Matters

Internal Controls – Segregation of Duties (Repeat Comment)

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Township's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

As is the case with many organizations of similar size, the Township lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carries with it a greater risk of fraud and abuse.

Colon Township

Comments and Recommendations

For the Year Ended March 31, 2007

As stated previously, the establishing and maintaining of internal controls is the responsibility of management. As the Township's independent external auditors, we are specifically banned by professional standards from performing any management functions. In other words, the annual audit is not a part of the Township's internal control structure, and cannot not be relied upon as part of *management's* systems to deter or detect fraud and abuse.

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

Payroll

The Township should include in the employee personnel files documentation as to what amount each employee should be paid per hour or salary for each year. The employees should sign this document verifying that they agree with the amount they are being paid. During the audit we performed a payroll test of controls and determined that not all employees had this documentation included in their personnel. We recommend that the Township prepare this documentation each year and have it reviewed and approved by each employee.

Distribution of Tax Receipts

Governmental entities that collect tax revenues for another taxing unit are required to distribute the collection in accordance with MCL211.43. During the review of the Township's records, it was noted that these disbursements were not occurring within the timeline required by State law. We recommend that the Township establish procedures to ensure that all property tax distributions are made in accordance with State law.

Reconciliation of Property Tax and Special Assessment Revenues

Property tax and special assessment revenues account for over 65% of the Township's annual revenue. For the year ended March 31, 2007, the Township was not explain significant variances between approved levied and amounts recorded as revenue. Because of the significance of these accounts, we recommend that the Township perform reconciliations of these accounts to recalculated values based on amounts levied (taxable value multiplied by approved millage rates) and detailed assessment records. In addition, amounts should be reconciled to tax settlements with the County Treasurer.

* * * * *